

# *General Fund Cash Basis Report*

*For the Fiscal Year  
Ended June 30, 2007*



**July 2007**

**CONTROLLER JOHN CHIANG**

State of California



**JOHN CHIANG**

*California State Controller*

July 24, 2007

**To the Citizens, Governor, and Members  
of the Legislature of the State of California:**

I am pleased to submit to you the *General Fund Cash Basis Report* for the fiscal year ended June 30, 2007. The General Fund ended the 2006-07 fiscal year with a total cash balance of \$4.1 billion, consisting of \$2.5 billion in the General Fund and \$1.6 billion in the General Fund's Special Fund for Economic Uncertainties. This is \$6.4 billion lower than the \$10.5 billion General Fund cash balance at the beginning of the fiscal year.

The State manages General Fund cash shortages through a combination of internal and external borrowing. The State issued \$1.5 billion in Revenue Anticipation Notes (RANs) on October 3, 2006, to meet cash flow needs during the 2006-07 fiscal year. The RANs were repaid with interest on June 29, 2007.

This report is published to provide authoritative information, using the cash basis of accounting, concerning the financial status of the General Fund as close to the end of the fiscal year as possible. This report does not, however, provide a complete picture of the State's operations or financial position. After the State Auditor completes the audit of the State's finances, I will issue the *Comprehensive Annual Financial Report*, prepared in conformity with accounting principles generally accepted in the United States of America. I will also issue the *Budgetary/Legal Basis Annual Report*, which contains an accounting of all fund activity in compliance with state law, state accounting procedures, and the state budget.

This report is available on the Internet at the State Controller's homepage, <http://www.sco.ca.gov/ard/state/>, under the category "Publications - State Government Annual Financial Reports."

Sincerely,

Originally Signed by

**JOHN CHIANG**  
California State Controller

# Statement of Cash Receipts, Disbursements, and Balances

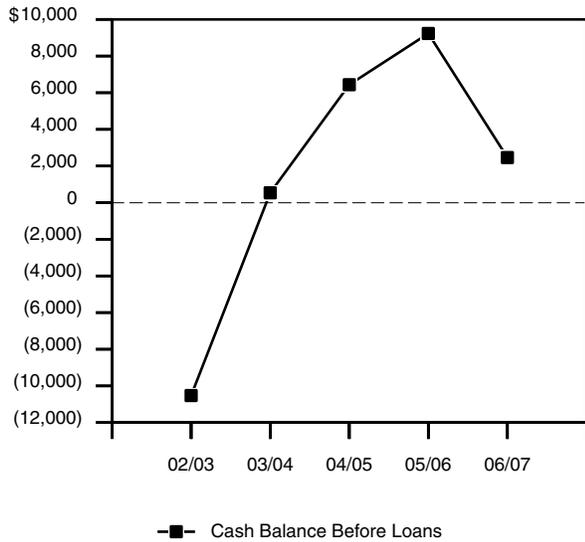
(Amounts in thousands)

	Year Ended June 30,	
	2007	2006
<b>General Fund Beginning Cash Balance Before Loans, July 1 .....</b>	<b>\$ 9,232,801</b>	<b>\$ 6,436,788</b>
<b>Receipts</b>		
Revenues .....	95,665,223	93,325,544
Nonrevenues (Note 1) .....	1,692,029	977,023
<b>Total Receipts .....</b>	<b>97,357,252</b>	<b>94,302,567</b>
<b>Disbursements</b>		
State Operations .....	25,243,407	21,720,678
Local Assistance .....	74,905,875	67,401,131
Capital Outlay .....	2,889,634	1,450,966
Nongovernmental (Note 1) .....	1,089,114	933,779
<b>Total Disbursements .....</b>	<b>104,128,030</b>	<b>91,506,554</b>
<b>Receipts Over Disbursements .....</b>	<b>(6,770,778)</b>	<b>2,796,013</b>
<b>General Fund Ending Cash Balance, June 30 .....</b>	<b>2,462,023</b>	<b>9,232,801</b>
<b>Special Fund for Economic Uncertainties, June 30 (Note 2) .....</b>	<b>1,621,516</b>	<b>1,295,007</b>
<b>Total Cash, June 30 (Note 1) .....</b>	<b>\$ 4,083,539</b>	<b>\$ 10,527,808</b>
<b>Borrowable Resources (Note 3)</b>		
<b>Available Resources</b>		
From Special Fund for Economic Uncertainties .....	\$ 1,621,516	\$ 1,295,007
From Special Funds and Accounts .....	13,267,076	10,413,858
<b>Total Available Resources .....</b>	<b>\$ 14,888,592</b>	<b>\$ 11,708,865</b>

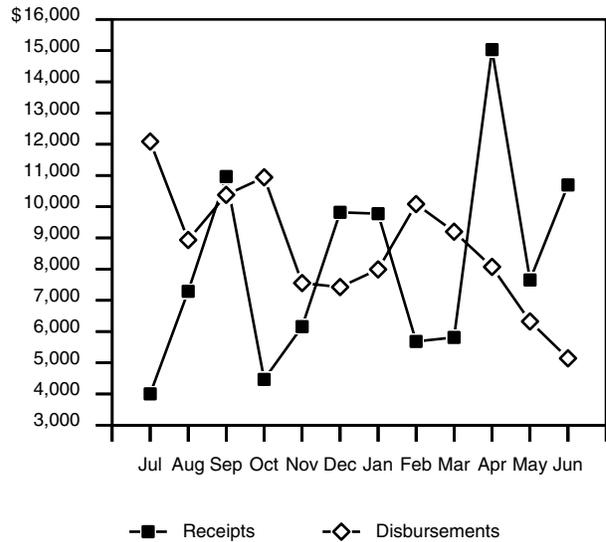
# Charts of Cash Receipts, Disbursements, and Balances

(Amounts in millions)

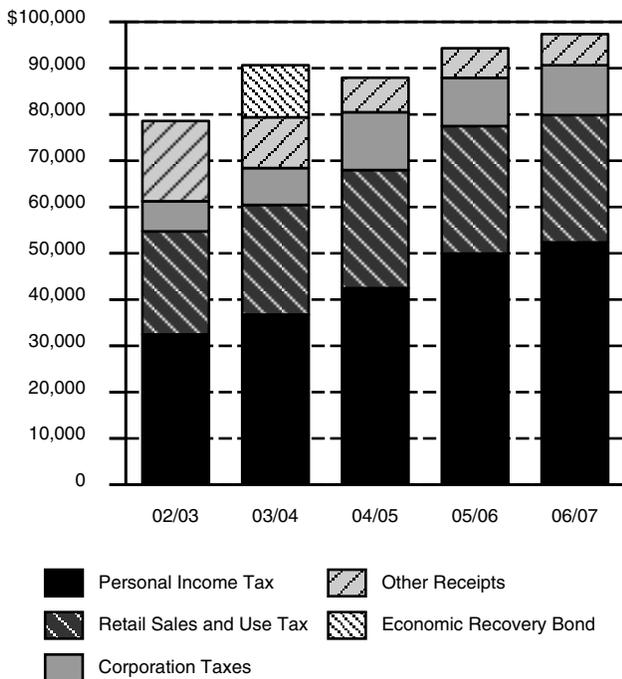
### Ending Cash Balances Before Loans Last Five Fiscal Years



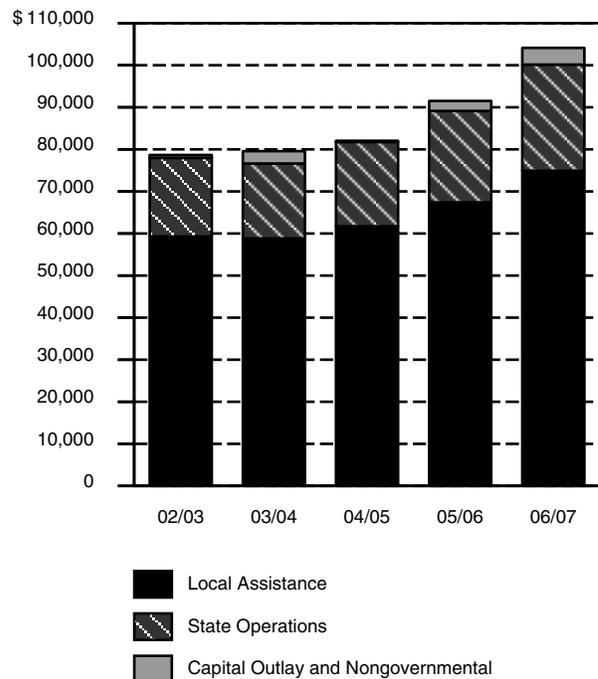
### Monthly Cash Receipts and Disbursements Fiscal Year Ended June 30, 2007



### Cash Receipts Last Five Fiscal Years



### Cash Disbursements Last Five Fiscal Years



# Schedule of Cash Receipts

(Amounts in thousands)

	Year Ended June 30,	
	2007	2006
<b>RECEIPTS</b>		
<b>REVENUES</b>		
<b>Major Taxes and Licenses</b>		
Personal Income Tax .....	\$ 52,353,056	\$ 49,946,731
Retail Sales and Use Taxes .....	27,515,361	27,537,859
Corporation (Income) Taxes .....	10,767,189	10,436,025
Insurance Gross Premiums Tax .....	2,175,294	2,212,739
Tobacco Securitization Bond Refinancing (Note 4) .....	—	525,000
Excise Tax on Distilled Spirits .....	159,543	160,784
Excise Tax on Beer and Wine .....	169,864	157,734
Estate, Inheritance, and Gift Tax .....	26,686	124,849
Cigarette Tax .....	111,369	113,256
<b>Total Major Taxes and Licenses .....</b>	<b>93,278,362</b>	<b>91,214,977</b>
<b>Minor Revenues</b>		
Pooled Money Investment Income .....	574,924	380,111
Abandoned Property .....	189,720	334,335
Receipts for Child Support Services .....	246,285	287,818
State Lands Royalties .....	260,527	270,567
Trial Court Revenues .....	65,047	59,860
Health Care Deposit Fund Receipts .....	13,617	15,179
Private Rail Car Tax .....	6,703	6,948
Liquor License Fees .....	5,329	4,672
Horse Racing (Parimutuel) License Fees .....	2,393	2,391
Miscellaneous .....	1,022,316	748,686
<b>Total Minor Revenues .....</b>	<b>2,386,861</b>	<b>2,110,567</b>
<b>Total Revenues .....</b>	<b>95,665,223</b>	<b>93,325,544</b>
<b>NONREVENUES</b>		
Transfers from Special Fund for Economic Uncertainties.....	—	—
Transfers from Other Funds (Note 4) .....	868,037	240,562
Miscellaneous .....	823,992	736,461
<b>Total Nonrevenues .....</b>	<b>1,692,029</b>	<b>977,023</b>
<b>TOTAL RECEIPTS .....</b>	<b>\$ 97,357,252</b>	<b>\$ 94,302,567</b>

# Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	2007	2006
<b>DISBURSEMENTS</b>		
<b>STATE OPERATIONS</b>		
Legislative/Judicial/Executive .....	\$ 1,433,925	\$ 1,398,060
Resources .....	1,156,321	790,643
State and Consumer Services .....	606,846	527,951
Environmental Protection .....	64,694	60,783
Business, Transportation, and Housing .....	5,993	5,517
Health and Human Services		
Mental Health Hospitals .....	864,501	731,931
Health Services .....	194,605	296,825
Other Health and Human Services .....	733,560	661,863
Total Health and Human Services .....	1,792,666	1,690,619
Corrections and Rehabilitation (Note 5) .....	8,564,486	7,211,404
Education		
University of California (Note 5) .....	3,052,524	2,842,562
State Universities and Colleges (Note 5) .....	3,126,177	2,599,834
Other Education .....	165,043	154,754
Total Education .....	6,343,744	5,597,150
Debt Service .....	3,274,615	3,130,365
General Government (Note 6) .....	1,905,851	1,226,683
Interest on Loans .....	90,593	83,056
Public Employees Retirement System .....	3,673	(1,553)
<b>Total State Operations .....</b>	<b>25,243,407</b>	<b>21,720,678</b>
<b>LOCAL ASSISTANCE</b>		
Judicial/Executive .....	1,922,542	1,717,214
Resources .....	130,220	64,990
Business, Transportation, and Housing .....	12,944	13,783
Environmental Protection .....	—	5
Health and Human Services		
Health Services .....	13,926,884	12,746,906
Social Services .....	8,702,061	8,892,163
Developmental Services .....	2,008,953	1,697,585
Mental Health Services .....	758,947	649,150
Other Health and Human Services .....	1,189,130	1,026,742
Total Health and Human Services .....	26,585,975	25,012,546

# Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	2007	2006
Corrections and Rehabilitation .....	\$ 283,562	\$ 293,729
Education		
K-12 Education (Note 7) .....	36,509,412	31,019,476
Community Colleges (Note 7) .....	4,259,547	3,342,326
Teachers' Retirement System .....	958,573	1,081,064
Other Education .....	2,871,348	2,709,883
Total Education .....	44,598,880	38,152,749
Tax Relief		
Homeowners Property Tax Relief .....	432,782	433,864
Senior Citizens Renters Assistance .....	144,853	144,277
Senior Citizens Property Tax Deferral and Assistance .....	50,639	50,442
Subventions for Open Space .....	42,883	33,815
Miscellaneous Tax Relief .....	41	186
Total Tax Relief .....	671,198	662,584
General Government (Note 6) .....	700,554	1,483,531
<b>Total Local Assistance .....</b>	<b>74,905,875</b>	<b>67,401,131</b>
<b>CAPITAL OUTLAY (Note 8)</b>		
<b>Total Capital Outlay .....</b>	<b>2,889,634</b>	<b>1,450,966</b>
<b>NONGOVERNMENTAL</b>		
Transfer to Special Fund for Economic Uncertainties .....	334,993	557,439
Transfer to Budget Stabilization Account .....	471,770	
Transfer to Other Funds .....	619,450	232,993
Transfer to Revolving Fund .....	(134,568)	20,195
Advances		
Counties for Social Welfare .....	(203,669)	103,906
Social Welfare Federal Fund .....	1,138	19,246
<b>Total Nongovernmental .....</b>	<b>1,089,114</b>	<b>933,779</b>
<b>TOTAL DISBURSEMENTS .....</b>	<b>\$ 104,128,030</b>	<b>\$ 91,506,554</b>

# Notes to Statements and Schedules

## *NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The *General Fund Cash Basis Report* is based on cash reported to and recorded in the records of the State Controller's Office. Amounts reported may differ from amounts in other reports to the extent that there are timing differences in the recording of in-transit items between agencies, the State Treasury, and the State Controller's Office. The cash basis of accounting does not reflect accruals.

The "Statement of Cash Receipts, Disbursements, and Balances" does not include cash in the Special Fund for Economic Uncertainties, in the report's balances, except for the balance titled "Total Cash, June 30."

Nonrevenue receipts are transfers or miscellaneous receipts from other funds that do not represent revenues of the General Fund. "Transfers from Other Funds" are legally authorized movements of money into the General Fund from other funds that are responsible for the initial receipt of the money. "Miscellaneous" nonrevenue receipts include reimbursements that are not credited to a specific appropriation, and certain other receipts that are not defined as revenue.

Nongovernmental disbursements are transfers or advances to other funds that do not represent expenditures of the General Fund. "Transfers to Other Funds" are legally authorized movements of money from the General Fund, which is responsible for the initial receipt of the money, to other funds that are responsible for the actual expenditure. "Advances" include certain legally authorized loans to other funds and governmental entities, and the repayments of those loans. Negative balances are the result of repayments received that are greater than disbursements made during the fiscal year.

## *NOTE 2: SPECIAL FUND FOR ECONOMIC UNCERTAINTIES*

The Special Fund for Economic Uncertainties was created by Chapter 139, Statutes of 1985, and is funded with the General Fund revenues. Commonly known as the State's "rainy day fund," it provides the moneys for necessary expenditures throughout the year that have not been anticipated or provided for in the annual budget. It also provides relief, to the amount of its available funds, for any budgeted shortfalls.

## *NOTE 3: BORROWABLE RESOURCES*

Government Code sections 16310 and 16418 authorize transfers to the General Fund from other funds in the State Treasury and Government Code section 17300 authorizes the borrowing from external sources to meet the State's short-term borrowing needs. External sources of funds to meet short-term borrowing needs are obtained by issuing Revenue Anticipation Notes (RANs), Revenue Anticipation Warrants (RAWs), and Registered Warrants.

With respect to short-term external borrowing, the State issued \$1.5 billion in RANs on October 3, 2006, which were repaid on June 29, 2007. The State ended the 2006-07 fiscal year with no short-term external loans.

#### ***NOTE 4 TOBACCO SETTLEMENT REVENUE BOND***

On November 16, 1998, eight states, including California, and four major tobacco companies agreed to settle pending lawsuits brought by the states against the tobacco industry. The settlement agreement requires the tobacco companies to make payments to the State of California in perpetuity. During the 2005-06 fiscal year, the General Fund received \$525 million as a consequence of the refinancing of Tobacco Securitization Bonds. For this fiscal year, \$600 million was transferred from the Tobacco Asset Revenue Fund to the General Fund which is included in the Non-Revenue Receipts Transfers from Other Funds balance. These bonds are secured by the future tobacco settlement payments to be received by the State.

#### ***NOTE 5: STATE OPERATIONS***

The major factor in the large increase in Correction and Rehabilitation State Operations expenditure during the 2006-07 fiscal year is due to increased inmate populations, added cost for various court settlement agreements, and the new expended inmate and parolee programs.

Education State Operations expenditures for the University of California and the State Universities and Colleges, are greater compared to the previous fiscal year due to the additional General Fund support used to replace the student fee increase.

#### ***NOTE 6: ECONOMIC RECOVERY BONDS/BUDGET STABILIZATION ACCOUNT***

The California Economic Recovery Bond Act authorizes the issuance of up to \$15 billion in economic recovery bonds to finance the negative General Fund reserve balance as of June 30, 2004. The State has issued \$10.896 billion principal amount of the economic recovery bonds. In September 2006, \$472 million was transferred to the Budget Stabilization Account to retire some economic recovery bonds. This expenditure of \$472 million is included in the General Government, State Operations balance for 2006-07 fiscal year.

#### ***NOTE 7: LOCAL ASSISTANCE***

The large increase in Education Local Assistance for K-12 Education and Community Colleges expenditures during the 2006-07 fiscal year is due to cover for the shift of property taxes, increases in Prop. 98 minimum guarantee, new spending due to Prop. 49 after school programs, and the catch up payments for mandate claims.

#### ***NOTE 8: CAPITAL OUTLAY***

The large increase in Capital Outlay expenditures during the 2006-07 fiscal year is due to the General Fund transferring \$1.4 billion to the Transportation Investment Fund as authorized by Revenue and Taxation Code section 7104. This amount from sales and use tax collections on the sale, storage, and use of motor vehicle fuel is required to be used for transportation capital outlay purposes.